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December 10, 2001

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: Mesquite Power, LLC – CEC Decision No. 63232
Docket No. L-00000S-00-0101

Docket Control:

The Arizona Corporation Commission, on recommendation by the Line Siting Committee, approved a Certificate of Environmental Compatibility for the construction of the Mesquite Generating Station, a nominal 1,000 megawatt (MW) natural gas fired, combined cycle power plant. Stipulation 12 of the Certificate of Environmental Compatibility required Mesquite Power, LLC to submit an annual report outlining the implementation status of Comprehensive Land Management Plan ("the Plan") that was included with the application for this Certificate.

Attached is the Annual Report for the 2001. A copy of the letter without the attached report has been forwarded to the Director, Utilities Division for information.

If you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,

Marty C. Swartz
Manager, Project Development

Mcs:accstaffltr02/enclosure

cc: Ernest Johnson, Director, Utilities Division, w/0 enclosure
C. Sterling, w/1 enclosure
M. Swartz, w/1 enclosure
File

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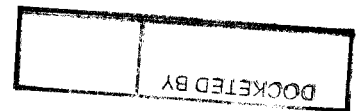
**Comprehensive Land Management Plan
Annual Status Report
Mesquite Power Project**

Submitted to

Arizona Corporation Commission

by

Mesquite Power, LLC



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Arizona Corporation Commission
DEC 18 2001

November 2001

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**Comprehensive Land Management Plan
Annual Status Report
Mesquite Power Project**

Submitted to

Arizona Corporation Commission

by

Mesquite Power, LLC

November 2001

Executive Summary

The Arizona Corporation Commission, on recommendation by the Line Siting Committee, approved a Certificate of Environmental Compatibility for the construction of the Mesquite Generating Station, a nominal 1,000 megawatt (MW) natural gas fired, combined cycle power plant. Stipulation 12 of the Certificate of Environmental Compatibility required Mesquite Power, LLC to submit an annual report outlining the implementation status of Comprehensive Land Management Plan ("the Plan") that was included with the application for this Certificate.

Construction of the facility began in September 2001 with clearing of the plant site. The buffer zones around the facility as described in section 2.1 of the Plan remain the same except for the 80 acre parcel east of the railroad spur that runs along the centerline of Section 15. The Plan indicated that this land would remain undisturbed construction of the facility.

Mesquite Power, LLC has identified three areas of the plant site that are to remain undisturbed during construction and operations. These three areas have significant mesquite bosque and are valuable to both wildlife and as a visual screening.

A plant inventory identified 230 mesquite trees and 30 plus cacti for salvaging prior to the start of construction. The mesquite trees were boxed and placed in a temporary nursery located on the water property. The trees will be used for landscaping the plant site. The salvaged cacti were permanently transplanted on the water property.

In order to restore the 80 acre parcel east of rail spur to a natural desert landscape following construction, approximately 9,000 cacti were salvaged from this property and transplanted in the temporary nursery. These cacti will be returned to the 80 acre parcel following the completion of construction.

Further study and review of the water property has resulted in a revision of the amount of acre in each of these categories. These changes resulted from a flood from the Centennial Wash that lead to further development of the farmland with only partial vegetation, creation of three conservation easements and detailed studies that have identified small areas where re-vegetation is not required. The 2,990 acres of water property was classified into the following six categories.

The revised acreage for the six categories are: 2383 acres of fallow or retired farmland which will be fully or partially re-vegetated, 586 acres of retired farmland or natural desert areas which do not require re-vegetation, 14 acres which will be maintained as perimeter roads, and another 17 acres that are not owned by Mesquite Power.

The areas of the property that contain tumbleweeds were cut last fall and again this fall prior to going to seed. New barbed wire fencing is being installed around the entire parameter of the water property will all existing fencing being removed.

The 50 acre test plot was not planted in October 2001. The University of Arizona planted an expanded test planting for Duke Energy's re-vegetation program in the fall and wanted to plant the Mesquite Power test plot during the spring to compare the results and determine the best

season for planting. The long lead time to order and acquire plants and irrigation equipment also impacted scheduling of this initial test plot. Plants and irrigation equipment for Spring 2002 have all been ordered.

The Phoenix Zoo has, after careful consideration, decided not to proceed with the development of a program to provide habitat for endangered species. The Phoenix Zoo could not commit to the long term funding necessary to make this a successful project.

Mesquite Power, LLC has established three conservation easements totaling an area of 42 acres. These areas were designated after consultation with US fish and Wildlife, US EPA and Arizona Game and Fish. Mesquite Power, LLC is currently finalizing the conservation easement agreement with Arizona Game and Fish whom will act as the conservator.

Mesquite Power, LLC is continuing to work with Arizona Game and Fish, Ducks Unlimited and Southwest Rehabilitation to develop alternative lands uses.

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Comprehensive Land Management Plan

1.0 INTRODUCTION

The Arizona Corporation Commission, on recommendation by the Line Siting Committee, approved a Certificate of Environmental Compatibility for the construction of the Mesquite Generating Station, a nominal 1,000 megawatt (MW) natural gas fired, combined cycle power plant. Stipulation 12 of the Certificate of Environmental Compatibility required Mesquite Power, LLC to submit an annual report outlining the implementation status of Comprehensive Land Management Plan ("the Plan") that was included with the application for this Certificate.

The following is an update on the implementation of the Plan for the 400 acre plant site and the approximately 2,990 acres of water property located approximately 2-1/2 miles west of the power plant site. This report will address the implementation status, water use status and schedule status the plant site and the water property as of November 2001.

2.0 PROJECT SITE MANAGEMENT PLANS

2.1 Site Description

Construction of the facility began in September 2001 with clearing of the plant site. The buffer zones around the facility as described in section 2.1 of the Plan remain the same except for the 80 acre parcel east of the railroad spur that runs along the centerline of Section 15. The Plan indicated that this land would remain undisturbed construction of the facility. This Section of land is required as laydown and storage area during construction of the facility. However, the use of this area is not required for operations and will be restored to its natural state and remain unused after completion of the construction phase of the project. The land management for this area will be discussed in Section 2.2 of this report.

2.2 Land Management – Plant Site

A majority of the plant site was cleared at the state of construction in September 2001. The area of the plant site where the evaporation ponds will be located has not been completely cleared and some natural vegetation remains. An aerial photograph of the site as of November 27, 2001 is provided in Attachment A.

Mesquite Power, LLC has identified three areas of the plant site that are to remain undisturbed during construction and operations. These three areas have significant mesquite bosque and are valuable to both wildlife and as a visual screening. The three areas are identified on the latest plant layout drawing provided in Attachment B. Some of these areas can be seen in the aerial photograph provided in Attachment A. These areas have been fenced with orange snow fencing to provide additional protection.

A plant inventory of conducted prior to the clearing of the site. Approximately 230 mesquite trees and 30 plus cacti were identified and tagged for salvaging. These plants were salvaged prior to the start of construction. The mesquite trees were boxed and

placed in a temporary nursery located on the water property. These trees will be used for landscaping the plant site after completion of construction. Any excess trees will be sold for re-use in other landscaping projects. The salvaged cacti were permanently transplanted on the water property. Photographs of the salvage operations and the mesquite tree nursery are provided in Attachment C.

As indicated in Section 2.1 above, the 80 acre parcel east of the rail spur will be used for laydown and storage during construction. In order to restore the 80 acre parcel to a natural desert landscape following construction, approximately 9,000 cacti were salvaged from this property and transplanted in the temporary nursery. These cacti will be returned to the 80 acre parcel following the completion of construction.

2.3 Water Use – Plant Site

Estimated water usage is unchanged from the Plan. The re-vegetation of the 80 acre parcel will be done with salvaged cacti and hydro-seeding with natural vegetation that will require no additional water.

2.4 Schedule – Plant Site

No change in the concerning land management of the plant site.

3.0 WATER PROPERTY MANAGEMENT PLANS

3.1 Water Property Description

Mesquite Power, LLC has completed acquisition of the water property that, at the time the Plan was issued, was only an option to purchase the property. The 3,000 acres of water property was classified into the following six categories with a brief description of each provided. Further study and review of the water property has resulted in a revision of the amount of acres in each of these categories. These changes resulted from the following:

- A flood from the Centennial Wash has resulted in further development of the farmland with partial vegetation cover.
- Three conservation easements have been created at the request of US Fish and Wildlife.
- Detailed studies have identified small areas where re-vegetation is not required.

A description of the changes are provided below. Refer to the aerial photograph provided in Attachment D for the water property areas that are in each category.

Fallow Farmland

Approximately 2,117 acres of the water property is retired or fallow farmland and will be fully re-vegetated. The acreage in this category has been slightly reduced from the initial 2,167 acres identified in the Plan.

Retired Farmland with Partial Vegetation

Approximately 266 acres of the water property is retired farmland that has been out of production for an extended period of time and, as a result, desert vegetation has been partially re-established in these areas. The acreage in this category has been increased from the 220 acres identified in the Plan.

Retired Farmland Not Requiring Re-vegetation

There are about 299 acres of the water property that were previously farmed, but has been naturally re-vegetated. This area has been reduced from the 422 acres identified in the Plan. In addition, 32 acres of this property has been placed into a conservation easement. This easement will be discussed in more detail in Section 4.0.

Natural Desert Areas (No re-vegetation required)

There are an additional 287 acres of the water property that will not require re-vegetation because they are generally in their natural vegetative state. The acreage in this category has been increased from 160 acres identified in the Plan. However, 10 acres of this property has been placed into a conservation easement. This easement will be discussed in more detail in Section 4.0.

Perimeter Roads

This acreage is unchanged.

Property Not Owned by Mesquite Power

This acreage is unchanged.

3.2 Land Management – Water Property

3.2.1 Interim Land Management

Mesquite Power, LLC identified two activities for interim land management fencing and controlling tumbleweeds. The areas of the property that contain tumbleweeds were cut last fall and again this fall, prior to going to seed. The quantity and size of the tumbleweeds have been reduced. New barbed wire fencing is being installed around the entire parameter of the water property and all existing fencing is being removed. In addition, gates with locks are being installed. This new fencing meets the animal protection requirements of Arizona Game and Fish. Installation of the fencing was started in October 2001 and will be completed by March 2002.

3.2.2 Vegetation Management Approach

As part of the preparation for the re-vegetation effort, soil surveys will be taken to understand the soil plant interface. Information is needed on the nutrient status of the soil as well as the presence or absence of a plow layer.

In order to maximize resources, the existing infrastructure of the previous farms such as remaining furrows, borders or irrigation canals may be used, to irrigate during the re-vegetation process. New waterlines have recently been placed in many of the fields. These pipelines have valves at intervals to provide access for the installation of irrigation systems.

The appropriate mixture of plant species to be used depends on the climate and soils of the site, and the intended use of the land. Preliminary determination of candidate plants for use in the re-vegetation effort was made by observing the vegetation growth nearby and by review of existing published materials. Native vegetation found on surrounding unfarmed areas has survived and responded to stresses imposed by local climatic conditions, soils, and grazing and trampling by wildlife and livestock. A limitation to this approach is that these surrounding areas are typically degraded sites that do not contain all possible plant species that are adapted to the site. A further consideration is that the land's history of irrigation may have increased the soil salinity, making native plant establishment more difficult. Soil type is a critical factor in determining which species are adapted to the site.

The preliminary species list for the Arlington Valley area includes:

Catclaw Acacia	<i>Acacia greggi</i>
White Bursage	<i>Ambrosia dumosa</i>
Creosote bush	<i>Larrea tridentata</i>
Blue Paloverde	<i>Cercidium microphylla</i>
Velvet Mesquite	<i>Prosopis juliflora</i>
Fourwing Saltbush	<i>Atriplex canescens</i>
Desert Saltbush	<i>Atriplex polycarpa</i>
Quail-brush	<i>Atriplex. lentiformis</i>
Wolfberry	<i>Lycium exsertum</i>
Purple threeawn	<i>Aristida purpurea</i>
Desert marigold	<i>Baileya multiradiata</i>
Cassia	<i>Cassia covesii</i>
Big gellela	<i>Hilaria rigida</i>
Globemallow	<i>Sphaeralcea ambigua</i>

Since no definitive methods are available for re-vegetation of retired farmland in Arizona, test plantings are needed to determine which species under which planting method are adapted to the site and can be replanted with success. Ideally these plantings should be observed for a number of years to determine the long-term survivability of the species. However, preliminary observations of test plants can be used to begin the re-vegetation process while continued observation will provide increased reliability and improved rates of success.

A combination of transplanting containerized seedlings and seeding will be utilized in the re-vegetation program. It should be noted that a consideration with direct seeding herbs, forbs, trees and shrubs is that seedlings started from seed are slow to start and can be at a severe disadvantage compared to containerized plants as well as weeds. Transplanting containerized seedlings and applying establishment irrigation is the most reliable method of establishing plants, but it is also the most expensive. Mesquite's re-vegetation plan will rely as much as practical on the use of transplanting containerized

seedlings in order to increase the likelihood of success of the re-vegetation plan. However direct seeding methods will also be employed, as noted.

Once plants are transplanted or seeded, irrigation will be needed to keep the surface of the soil moist until seeds are germinated and seedlings are established. Plants are unlikely to persist on level surfaces where rainfall does not penetrate into the soil and when containerized transplants are used, it is vital that the soil be kept moist until roots grow from the small root ball into the surrounding soil.

3.2.3 Re-vegetation Test Plot

Re-vegetation efforts will be conducted in a phased approach with the first effort consisting of the planting of a fifty (50) acre test plot. This test plot will be located on fallow farmland, in the area shown on the map in Attachment G. This area is located south of Elliot Road at a distance that will protect it from traffic disturbances. The University of Arizona staff will lead this research effort.

Implementation of the University of Arizona field research activities will begin during 2002. The test plot will need to be developed during the winter to provide the greatest opportunities for plant establishment and survival. Initially the primary irrigation technology to be used will be subsurface drip irrigation. Plant materials provided by commercial nurseries in the Phoenix and Tucson areas will be transported to the test plot. These plants will then be transplanted into the areas that have an assured water supply provided by the subsurface irrigation system.

Following transplanting to the site, control of herbivores during the initial planting phase will be critical to the survival of the young plants. Rabbits, deer and rodents could be a problem in fields that are close to previously unfarmed areas.

Ideally the pilot re-vegetation project areas should be observed for a number of years to determine the long-term survivability of the species after the removal of any irrigation. However, preliminary observations of test plants after the first year of growth can be used to begin the re-vegetation process while continued observation will provide increased reliability. Therefore, a year after initiation of the pilot re-vegetation project area, the efficacy of the various processes investigated will be evaluated. The University of Arizona will identify the most successful procedures and develop a plan for their implementation on the retired farmlands. It will refine the plan as appropriate with the knowledge gained during year 2 of the test plot program.

3.3 Water Use – Water Property

Water usage during the re-vegetation program is essentially unchanged. The reduction in the total acreage of fallow farmland should result in a slight reduction in overall water usage.

3.4 Schedule – Water Property

The 50 acre test plot was not planted in October 2001. The University of Arizona planted an expanded test planting for Duke Energy's re-vegetation program in the fall and wanted to plant the Mesquite Power test plot during the spring to compare the results and determine the best season for planting. The long lead time to order and

acquire plants and irrigation equipment also impacted scheduling of this initial test plot. Plants and irrigation equipment for Spring 2002 have all been ordered.

4.0 ALTERNATIVE LAND USES

The Phoenix Zoo has, after careful consideration, decided not to proceed with the development of a program to provide habitat for endangered species. The Phoenix Zoo could not commit to the long term funding necessary to make this a successful project.

However, Mesquite Power, LLC is continuing to develop other land use alternatives for the Water Property in an attempt to provide unique environmental or educational opportunities while maintaining an open space type land designation. In fact, an alternative use has been developed.

Mesquite Power, LLC has established three conservation easements totaling an area of 42 acres. These areas were designated after consultation with US fish and Wildlife, US EPA and Arizona Game and Fish. Mesquite Power, LLC is currently finalizing the conservation easement agreement with Arizona Game and Fish whom will act as the conservator.

Mesquite Power, LLC is continuing to work with Arizona Game and Fish, Ducks Unlimited and Southwest Rehabilitation to develop alternative lands uses.

ATTACHMENT A
Plant Site Aerial Photograph



ATTACHMENT B
Plant Site Layout Drawings

OVERSIZED DOCUMENT

MAP

SEE SUPERVISOR
(EXHIBIT CABINET)

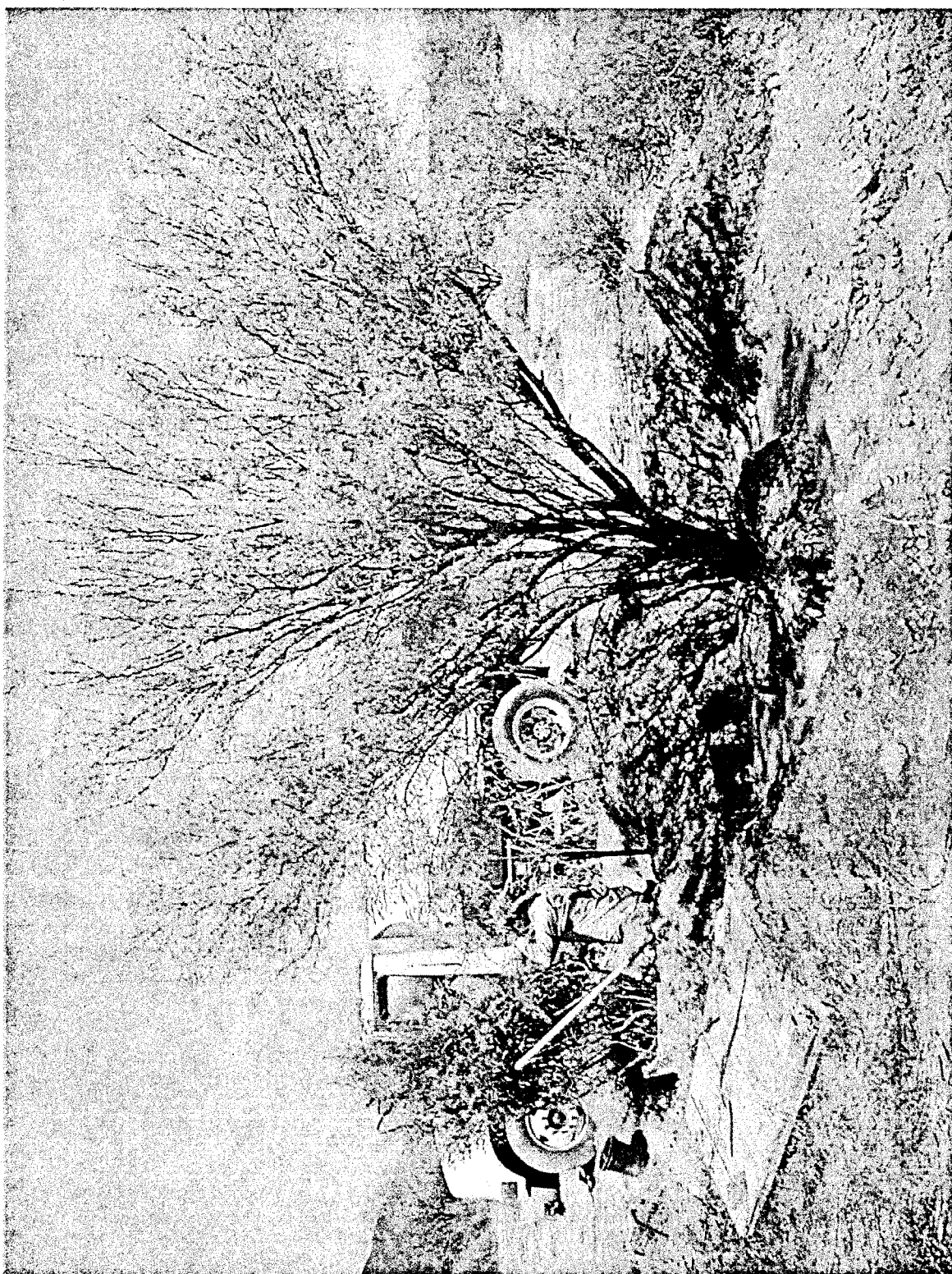
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MAP

SEE SUPERVISOR
(EXHIBIT CABINET)

ATTACHMENT C
Photographs of Plant Salvage
Operations

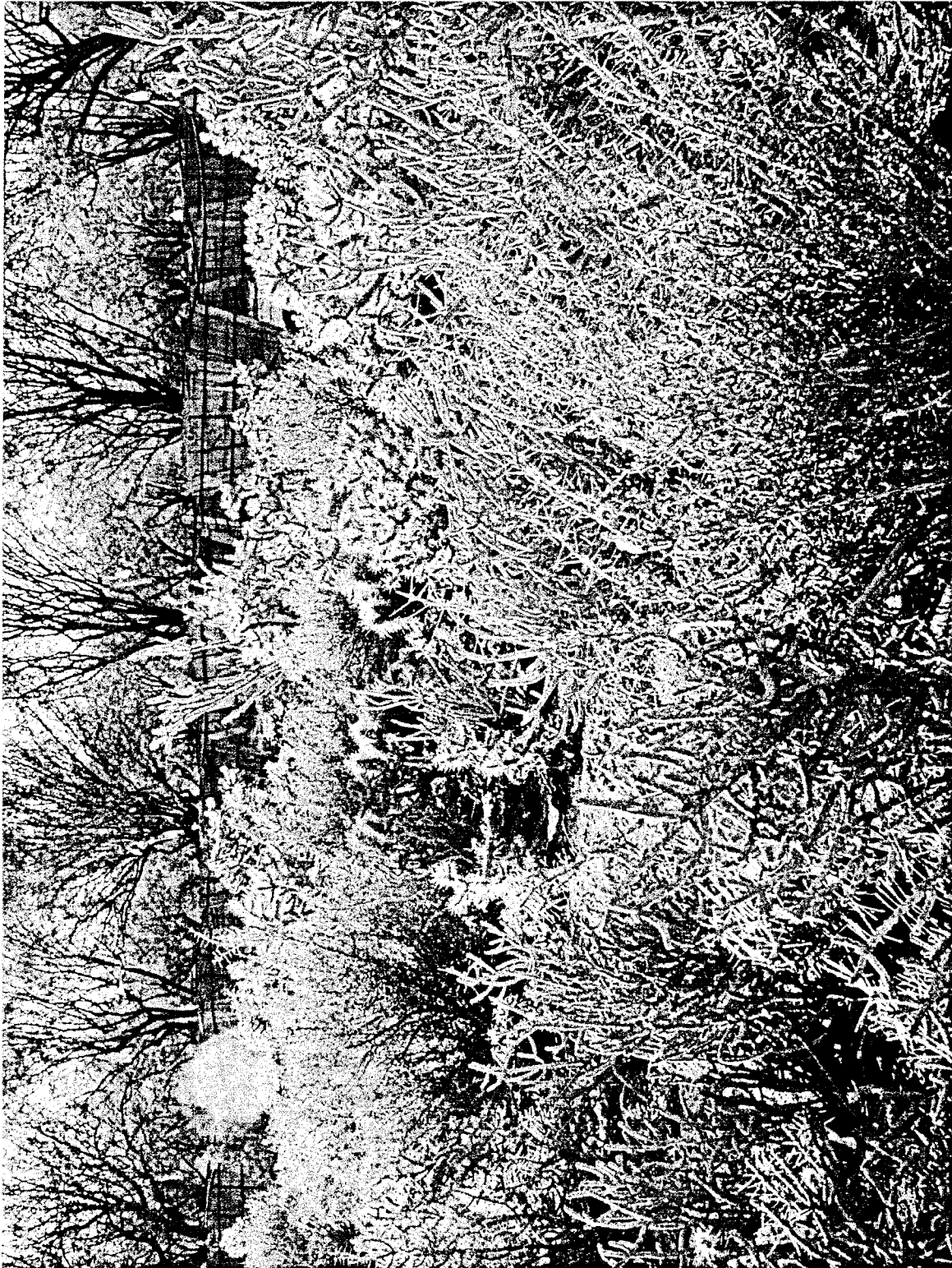


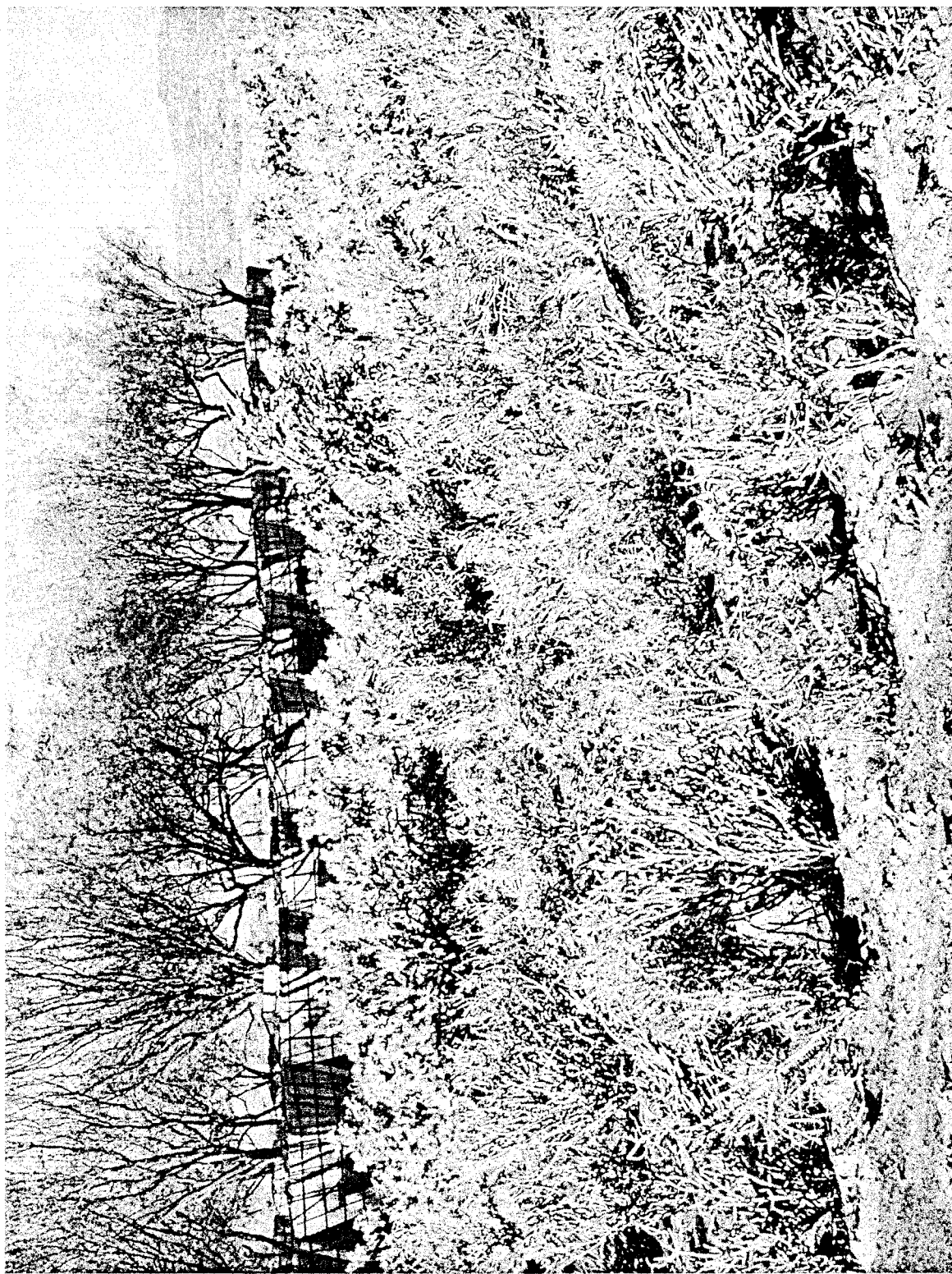






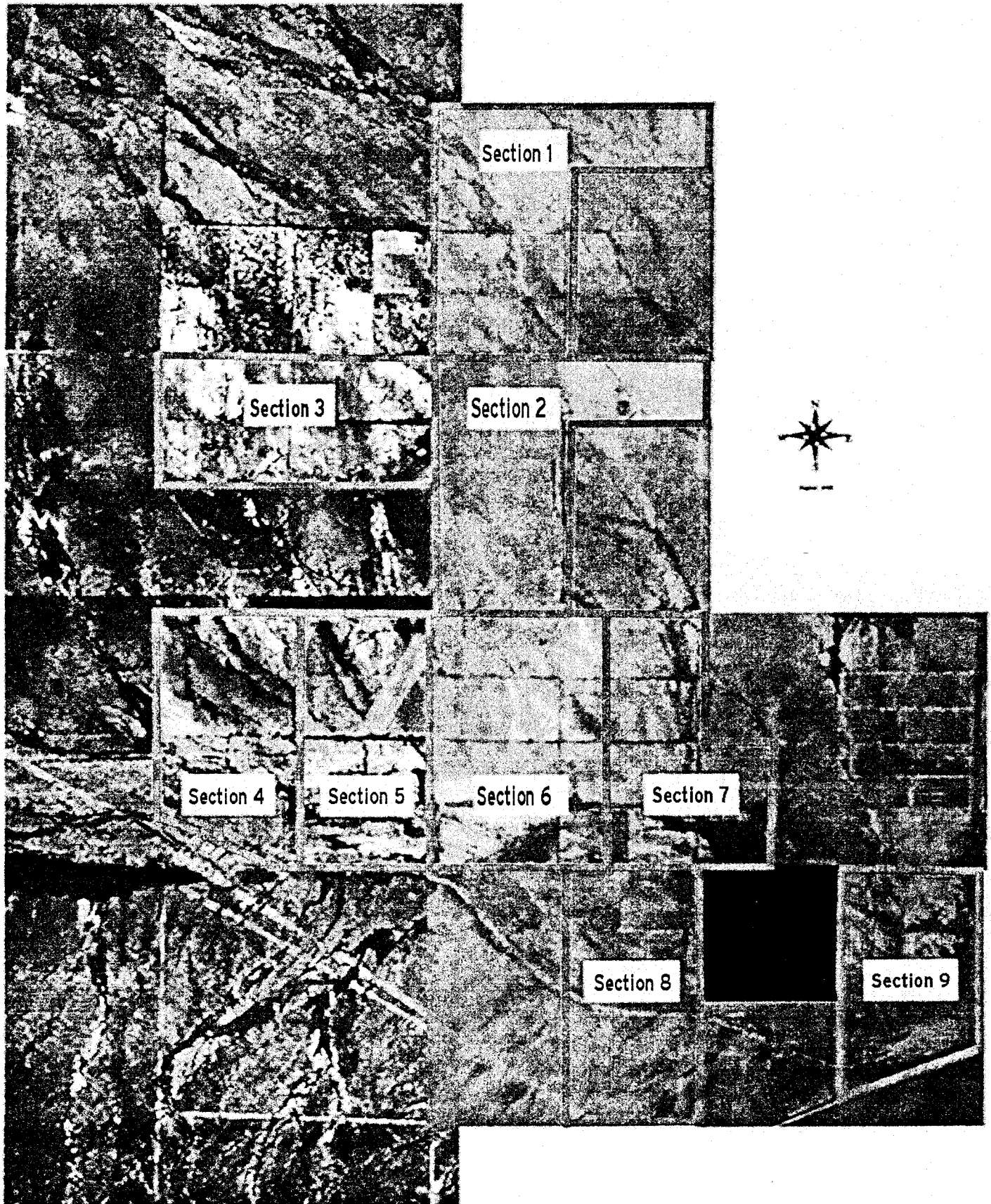






ATTACHMENT D
Water Property Aerial Photographs

Mesquite Power Water Property



0.5 0 0.5 Miles

OVERSIZED DOCUMENT

MAP

SEE SUPERVISOR
(EXHIBIT CABINET)

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